



Bank Alfalah

Analyst Briefing – 3Q 2018 Performance Review & Outlook

01st November 2018

Introductory Snapshot – Data as of September 30th 2018

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	641 (including 152 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	5.2% of deposits
Assets	PKR 894bn / USD 7.2bn
Deposits	PKR 680bn / USD 5.4bn
Net Advances	PKR 473bn / USD 3.8bn
Capital Adequacy Ratio	14.92%
Staff Strength	8,277

Profit & Loss Snapshot

Amount PKR mn	9M17	9M18	YoY	3Q17	3Q18	YoY
Interest Income	41,973	42,904	2%	13,993	14,812	6%
Interest Expenses	19,897	19,662	-1%	7,028	6,826	-1%
Net Int Income	22,076	23,242	5%	6,966	7,886	13%
NPL provisions	-645	-550	-15%	-378	-54	-86%
Inv. Impairment	109	-73	NA	-22	10	NA
Post Provision Int	22,612	23,865	6%	7,365	7,930	8%
Non Int Income	7,745	8,159	5%	2,430	2,395	-1%
Admin expenses	17,981	17,642	-2%	6,044	5,967	-1%
Other charges & prov	240	121	-50%	84	105	26%
Non int expense	18,220	17,763	-3%	6,128	6,072	-1%
Profit before tax	12,137	14,261	18%	3,668	4,254	16%
Taxation	4,962	5,632	14%	1,373	1,664	21%
Profit after tax	7,175	8,629	20%	2,294	2,590	13%
EPS (Rupees)*	4.46	5.34		1.43	1.60	
DPS (Rupees)*	-	1.0		-	-	
Bonus	-	10%		-	-	

* EPS & DPS depicted on pre-bonus number of shares.

- NII increased 13% YoY; backed by increase in advances and higher NIMs.
- Strong recoveries against NPLs continued. However prudent provisions during 3Q18 saw net reversals clock in lower at PKR54mn, taking 9M net reversals to PKR550mn.
- Non interest income remained flat YoY in 3Q. Strong fee income offset lower Capital Gains. Core fee & commission is up 8% YoY.
- Admin expenses reported flat YoY, despite deposit insurance cost of PKR150mn in 3Q.
- PAT grew 13% YoY to PKR2.6bn. EPS stands at PKR1.6/share versus PKR1.43/share in the same quarter last year.

Balance Sheet Snapshot

Amount PKR mn	Sep-17*	Dec-17	Sep-18	YoY	YTD
Cash	71,520	70,381	73,675	3%	5%
Bal with banks	13,106	3,754	4,631	-65%	23%
Lending to FI	53,980	48,896	74,387	38%	52%
Advances (net)	397,852	400,655	472,753	19%	18%
Investments (net)	400,527	400,733	211,859	-47%	-47%
Fixed & Others	32,824	63,654	57,066	74%	-10%
Total Assets	969,808	988,074	894,371	-8%	-9%
Deposits	661,223	653,406	680,497	3%	4%
Sub Loans/ADT1	6,653	4,991	11,989	80%	140%
Borrowings	207,840	207,194	76,694	-63%	-63%
Other Liabilities	29,579	56,683	55,606	88%	-2%
Total Liabilities	905,296	922,274	824,785	-9%	-11%
Paid up Capital	16,076	16,076	16,131	0%	0%
Reserves	40,512	42,439	48,336	19%	14%
Reval Surplus	7,925	7,285	5,119	-35%	-30%
Total Equity	64,512	65,800	69,585	8%	6%

* Includes Afghanistan operations



- Advances increased 19% YoY to PKR473bn. All categories of loan book grew in double digit. Islamic book witnessed major growth of 54% YoY.
- Consumer and Commercial lending were up 17% and 14% YoY respectively.
- Corporate loans also grew 12% YoY.
- Adjusted for Afghanistan reclassification, deposits grew 6.4%YoY.
- Other Assets / Liabilities reflect classification of Afghanistan as Held-for-Sale.
- YoY increase in sub loans reflects the PKR7bn ADT-1 issue earlier in 2018.
- Total equity increased 8% YoY to PKR70bn, despite impact of interim dividend.

Key Ratios

	3Q17	4Q17	1Q18	2Q18	3Q18
Yield on Advances	6.7%	7.5%	7.3%	7.3%	7.8%
Yield on Investments	6.6%	6.5%	6.6%	6.5%	6.7%
Cost of Deposits	2.6%	2.8%	2.7%	2.6%	2.9%
NIM	3.3%	3.4%	3.6%	3.9%	3.9%
ROA	1.0%	0.5%	1.4%	1.2%	1.1%
ROE exc. Surplus	16.6%	8.3%	22.4%	18.1%	16.2%
Admin Cost : income	64.2%	76.3%	57.1%	53.5%	58.0%
Gross ADR	62.6%	63.8%	66.6%	74.2%	71.8%
CASA*	82.8%	80.0%	82.9%	82.6%	80.4%
CA*	42.6%	42.5%	44.6%	47.2%	44.1%
Net Loans (YoY)	21.4%	5.8%	9.4%	17.0%	18.8%
Deposits (YoY)	3.1%	1.9%	7.4%	1.8%	2.9%
NPL ratio	4.2%	4.2%	4.0%	3.3%	3.5%
Coverage	89.8%	89.2%	89.0%	90.7%	87.9%
CAR	13.4%	13.7%	15.1%	14.7%	14.9%

- NIMs grew 60bps YoY, aided by higher yield & volume of advances.
- Cost of deposits increased 30bps YoY while flat QoQ, despite rising rates.
- ROA improved to 1.1% in 3Q versus 1.0% last year.
- Admin cost to income ratio stands at 58.0% versus 53.5% in the previous quarter. Marginal increase is due to lower income QoQ and impact of deposit protection cost.
- CASA mix remained almost flat at ~80% from year end level.
- NPL ratio stands at 3.5% with specific coverage at 88%.
- CAR depicted marginal improvement of 20bps QoQ to reach 14.9%.

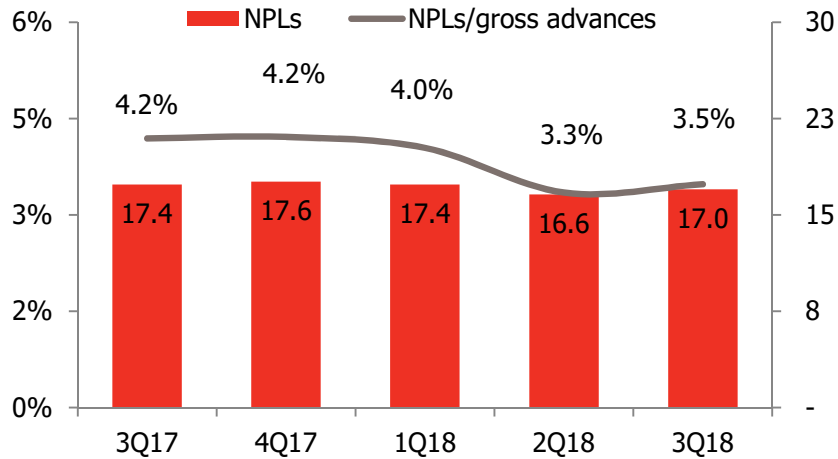
*Includes CASA deposits of FIs

The background features a large white shape on the left side, resembling a stylized letter 'C' or a partial circle, set against a dark red background. The right side of the image is filled with overlapping, semi-transparent red shapes in various shades, creating a layered, geometric effect.

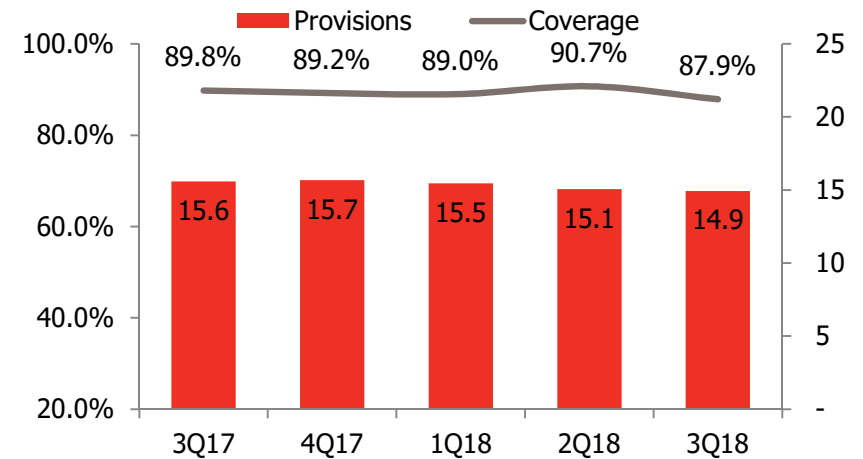
3Q 2018 Performance Review

Advances & Asset Quality Trends

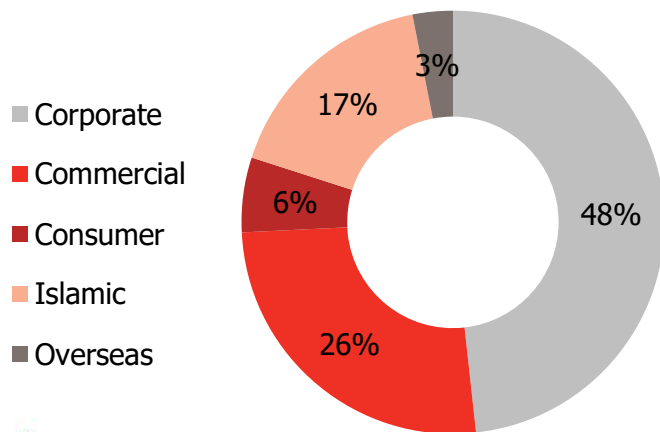
NPLs mostly contained



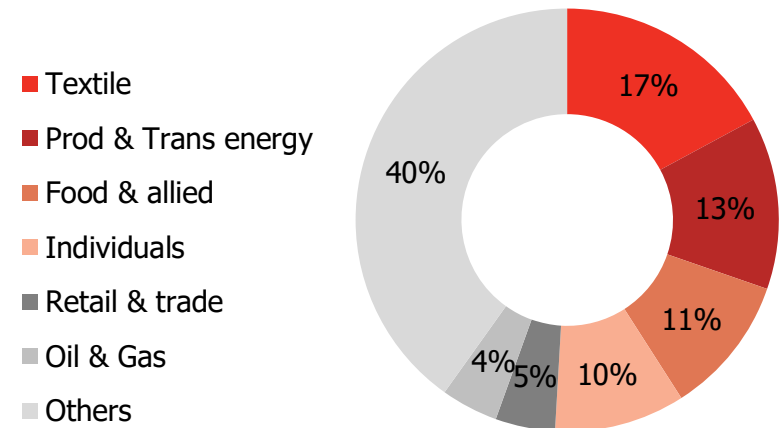
Specific Coverage remains at 88%



Advances composition (Sep 2018)

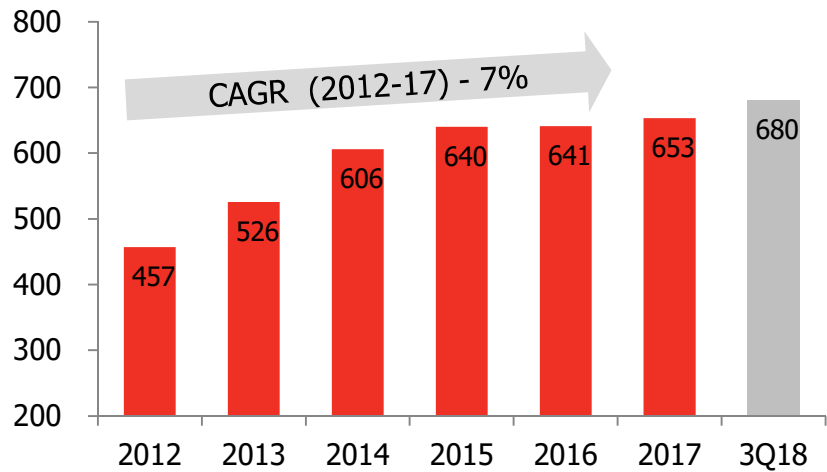


Advances concentration (Dec 2017)

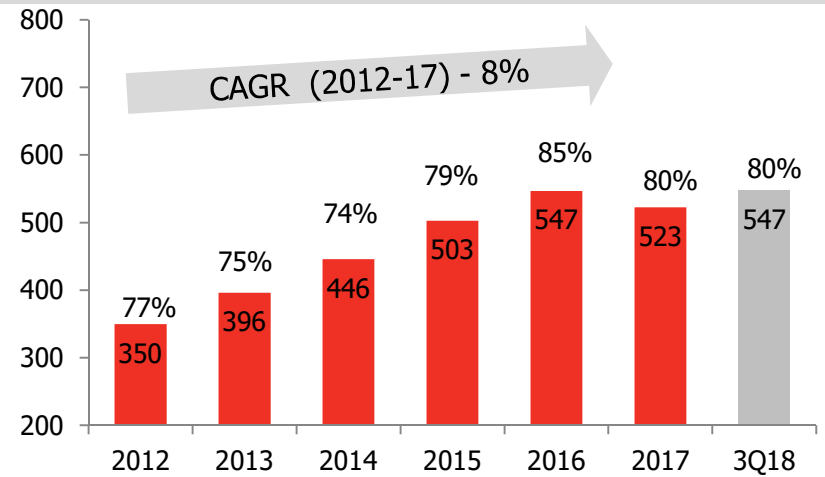


Deposit Mix & Cost

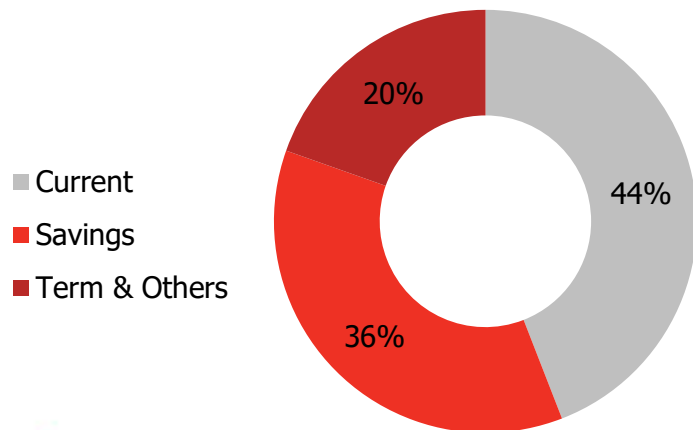
Deposit Growth Trend (PKR bn)



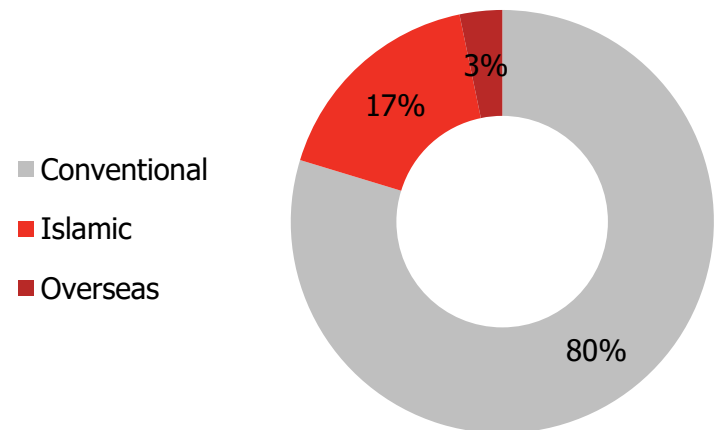
CASA Continues to Remain Strong (PKR bn)



Deposit Mix (Sep 2018)



Deposits Composition (Sep 2018)



Appendix

The background features a large white shape on the left side, resembling a stylized letter 'C' or a partial circle, set against a background of overlapping, semi-transparent red and orange-red geometric shapes. The overall aesthetic is modern and minimalist.

Balance Sheet Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Cash & Bal. With Treasury Bank	58,044	61,205	50,516	62,369	74,071	70,381	4%
Balances With Other Banks	26,721	34,764	12,332	16,552	9,373	3,754	-32%
Lending to Fis	877	2,522	18,313	27,626	30,149	48,896	123%
Advances (Net)	237,760	262,992	297,256	334,159	378,720	400,655	11%
Investments (Net)	189,487	219,690	324,319	423,100	389,093	400,733	16%
Fixed & Other Assets	23,680	30,254	40,392	38,802	36,050	63,654	22%
Total Assets	536,568	611,428	743,128	902,608	917,456	988,074	13%
Deposits	457,044	525,526	605,963	640,189	640,944	653,406	7%
Subordinated Loans	5,875	9,991	9,987	9,983	8,318	4,991	-3%
Borrowings	21,228	23,115	55,233	172,393	178,311	207,194	58%
Other Liabilities	22,362	20,894	27,126	26,690	29,759	56,683	20%
Total Liabilities	506,509	579,526	698,309	849,255	857,332	922,274	13%
Paid - up Capital	13,492	13,492	15,872	15,898	15,952	16,076	4%
Reserves & Retained Profit	12,010	14,774	21,951	26,527	33,233	42,439	29%
Revaluation Surplus	4,558	3,636	6,995	10,928	10,940	7,285	10%
Total Equity	30,059	31,902	44,819	53,353	60,125	65,800	17%

* Afghanistan Operations were classified as Available for Sale in 2017 Financials

Profit & Loss Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Interest Income	46,080	43,961	55,378	61,438	57,245	56,919	4%
Interest Expense	27,500	27,066	33,505	32,811	28,474	27,639	0%
Net Interest Income	18,580	16,895	21,873	28,627	28,770	29,281	10%
NPL Provisions	1,850	959	1,448	2,150	1,083	(434)	NA
Investment Impairment	1,709	95	86	137	101	174	-37%
Post Provisions Interest Income	15,021	15,841	20,340	26,340	27,587	29,540	14%
Non - Interest Income	7,281	8,279	8,876	8,861	8,907	9,894	6%
Operating Expenses	15,519	17,313	20,702	22,598	23,692	25,389	10%
Profit Before Taxation	6,783	6,807	8,514	12,603	13,023	14,045	16%
Taxation	2,227	2,131	2,873	5,081	5,123	5,678	21%
Profit After Taxation	4,556	4,676	5,641	7,522	7,900	8,367	13%
Reported EPS (PKR)	3.38	3.41	4.09	4.73	4.93	5.21	9.0%
Dividend (% of Paid - up)	20.0%	20.0%	20.0%	10.0%	0.0%	15%	

Key Ratios

	2012	2013	2014	2015	2016	2017*
Capital Adequacy Ratio (Tier - I)	8.5%	8.4%	9.6%	9.6%	9.9%	11.2%
Capital Adequacy Ratio Total	12.6%	12.1%	12.8%	13.3%	13.2%	13.7%
Net Interest Margins	4.5%	3.5%	3.8%	4.0%	3.6%	3.5%
Admin Cost to Income Ratio	60.0%	68.8%	67.3%	60.3%	62.5%	64.1%
Non - Interest Income as % of Total	28.2%	32.9%	28.9%	23.6%	23.6%	25.3%
Advance to Deposit Ratio (ADR)	52.0%	50.0%	49.1%	52.2%	59.1%	61.3%
YoY Deposit Growth	13.9%	15.0%	15.3%	5.6%	0.1%	1.9%
YoY Advances Growth	17.9%	11.4%	13.0%	12.4%	13.3%	5.8%
YoY Investments Growth	13.8%	15.9%	47.6%	30.5%	-8.0%	3.0%
Current Deposits Ratio	35.2%	35.8%	35.7%	38.0%	45.3%	42.5%
CASA Ratio*	76.5%	75.4%	73.6%	78.5%	85.3%	80.0%
NPL Ratio	8.9%	6.6%	6.4%	5.4%	4.8%	4.2%
Coverage Ratio	62.5%	69.3%	70.1%	83.7%	86.1%	89.2%
ROA	0.9%	0.8%	0.9%	1.0%	0.9%	0.9%
ROE Excluding Reval. Surplus	19.4%	18.0%	18.9%	19.1%	17.4%	15.5%
ROE Including Reval. Surplus	16.8%	15.6%	16.1%	15.2%	13.6%	13.3%
Book Value / Share (Incl. Reval.)	22.28	23.65	28.24	33.56	37.69	40.90

*Includes CASA deposits of Fis

**Afghanistan Operations were classified as Available for Sale in 2017 Financials

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)***	1,774.36
Market Capitalization (PKR bn)	92.7
Market Capitalization (USD mn)*	699
Average Daily Turnover (mn shares)	0.9
Average Daily Turnover (USD mn)*	0.3
Current Stock Price**	52.23
12M Adjusted Prices High / Low**	33.86/53.63

* Using PKR / USD parity of PKR 132.6

** Stock price as of October 31, 2018

*** Post issuance of Bonus shares

Disclaimer

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Bank Al Falah.

Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement

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